



DLS

DIVISION OF LOCAL SERVICES
MA DEPARTMENT OF REVENUE

Christopher C. Harding
Commissioner of Revenue

Sean R. Cronin
Senior Deputy Commissioner

To: City, Town, Special Purpose District and Regional School District Treasurers
From: Mary Jane Handy, Director of Accounts
Date: June, 2018

This letter sets forth the Treasurers' annual reporting requirements to the Division of Local Services' (DLS) Bureau of Accounts (BOA) and includes other matters.

The information in this letter is updated and includes reminders from last year's letter

Gateway Enhancements

For FY2018 reporting, Treasurers' forms, cash reconciliation, treasurer's year-end cash form, and statement of indebtedness have been moved to two new modules in Gateway called "Balance Sheet" and "District Balance Sheet." These modules appear as tabs across the top, similar to the "Tax Rate" and "District Tax Rate" tabs. These forms were previously found in the "Misc Forms" tab. All of these forms must be in "form submit" status before the community/district will be allowed to submit the balance sheet.

Treasurer's Year-End Cash Report

The Treasurer's Year-End Cash Report as of June 30, 2018 must be completed and uploaded in the Gateway system by September 30, 2018, or upon submission of a balance sheet for FY2019 free cash/excess & deficiency certification, whichever is earlier. If you have any problems with report submission, please contact your BOA field representative.

The Treasurer completes Part I. Do not check-off in Part II on behalf of the Accountant/Auditor if your community's town accountant or city auditor/comptroller is appointed under G.L. c. 41, §§ 48 or 55, a charter or special act. We recommend that the records of the Treasurer and Accountant or Auditor be reconciled monthly during the year to facilitate the completion of this report.

Statement of Indebtedness

This statement as of June 30, 2018 must be completed by September 30, 2018, or upon submission of a balance sheet for FY2019 free cash/excess & deficiency certification, whichever is earlier. This form is down-loaded from the DLS website and then up-loaded into Gateway and the summary is entered directly into Gateway.

The Statement of Indebtedness will be revised in Gateway for reporting for FY2019. Watch for further details regarding a release date for changes to this form.

Supporting a Commonwealth of Communities

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(617) 626-2300

If you have any problems with submission in Gateway, please contact your BOA field representative.

Request for Debt Exclusion Information

To prevent delays in setting the FY2019 tax rate, we strongly suggest that Treasurers in communities with debt exclusions and premiums complete and return the [Debt Exclusion Form](#) to your BOA field representative as soon as possible. Please include the debt schedules or any other relevant information that supports this request.

A community's debt exclusion must be adjusted to reflect the true interest cost incurred to finance a city, town or regional school district project for which it has an approved Proposition 2½ debt exclusion. G.L. c. 44, § 20. Please see Informational Guideline Release [\(IGR\) 17-22 Premiums and Surplus Proceeds for Proposition 2½ Excluded Debt](#), which explains the application of premiums received in connection with debt excluded bonds or notes sold before and after the November 7, 2016 effective date of the Municipal Modernization Act and how this adjustment is made.

If you have any questions regarding the completion of the Debt Exclusion Form worksheet, please contact your BOA field representative.

Schedule of Outstanding Receivables

This schedule as of June 30, 2018 must be completed by a city, town or special purpose district Treasurer in Gateway and returned to the Accountant/Auditor who will forward it with additional documentation for free cash certification to BOA. This schedule does not apply to regional school districts. This schedule compares the detailed listings of the Collector, Treasurer or department head with the balance of certain outstanding receivables of the Accountant/Auditor.

If you have any problems with submission in Gateway, please contact your BOA field representative.

State House Note Program

In connection with the State House note certification process, we emphasize the necessity for timely submission of notes and supporting documentation. This enables us to properly schedule the necessary review and approval activities, especially during the peak borrowing months of December and June. BOA strongly suggests that note and supporting documentation be submitted at least five business days before the scheduled issue date. This eliminates the possibility of notes remaining uncertified as of the issue date, which would jeopardize receipt of funds.

[State House Note forms](#) are located on BOA's Public Finance Section on the [DLS website](#).

BOA wishes to remind Treasurers that as a result of the Municipal Modernization Act, the DLS Director of Accounts revised the guidelines (Director's Guidelines) that establish the maximum term that cities, towns, improvement districts and regional school districts may borrow to finance certain capital projects based on the useful life of the asset. These guidelines include (1) all borrowing purposes authorized by those statutes, (2) their maximum statutory terms, and (3) their maximum terms, if any, established by the Director. The [Director's Guidelines](#) and the "[Borrowing Purposes Table Before and After the Municipal Modernization Act](#)" are published on the DLS website under the BOA's Public Finance section and take effect on the date shown. The term established in the Director's Guidelines is the maximum borrowing term allowed by law for that purpose and may be used for debt issued on or after its effective date.

Special purpose districts that do not submit a Tax Rate Recap are required to submit, at a minimum, a balance sheet as of June 30, 2017 or a FY2017 audit in electronic format before certification of any State House Notes during FY2019.

Compensating Balances

The Uniform Procurement Act exemption for compensating balance agreements related to banking services was eliminated by the Municipal Modernization Act. G.L. c. 30B, § 1. under Section 1(b)(23) of Chapter 30B. Therefore, Chapter 30B now applies to procurements related to all banking services that impose fees of any value.

The Office of the Inspector General's [January 2017 Procurement Bulletin](#) has additional information in an article "Banking and Financial Planning Services are Subject to Chapter 30B".

For further questions on financial or banking services, please contact the Office of the Inspector General's Chapter 30B Hotline at (617) 722-8838.

Fidelity Bonds

To properly guard public funds, a jurisdiction's Treasurer and its Chief Executive Officer must periodically review who is handling these funds and ensure they are bonded either personally or by blanket coverage for at least at the minimum amount required by the Commissioner of Revenue. Click here for [How to Determine your Minimum Bond Amount using the Bond Amount Schedule](#).

Interfund ("Internal") Borrowing Before Issuance of Debt

Treasurers may use inter-fund borrowing before issuance of authorized debt to pay expenses for the projects or purposes for which the debt will be issued. G.L. c. 44, § 20A. Interfund advances must be repaid during the same fiscal year and there are some borrowing restrictions. See [IGR No. 17-21, Borrowing](#), for an explanation of interfund borrowing procedures and restrictions.

Debt authorized for jurisdictions required by special acts to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's approval before interfund borrowing and expenditure of funds can occur.

Certification of City/Town and Regional School District Notes and Receipt of Audit Reports

Audit reports for the period ending June 30, 2018 are required for cities, towns and special purpose districts only if expenditure of federal funds exceeds \$750,000 or required by other regulatory agencies. Annual audits of regional school districts are required by G.L. chapter 71, § 16A and Department of Elementary and Secondary Education (DESE) School Finance regulations, [603 Code of Massachusetts Regulations 10.0](#).

Per federal guidelines, audits must be completed no later than nine months after the end of the fiscal year unless an extension is granted by the jurisdiction's federal cognizant agency or other regulatory agencies.

The Bureau will not certify revenue anticipation notes (RANs) of a city, town, special purpose district or regional school district if a required audit for the year ending June 30, 2017 has not been submitted.

Deficit Capital Projects Fund Balances

Year-end deficit fund balances resulting from anticipated governmental reimbursements or borrowing issuances are deducted from free cash (or from retained earnings) unless funds were borrowed (e.g. BANs, SAANs) by June 30, 2018 in an amount that equaled or exceeded the amount of the deficit. Capital projects are analyzed on an individual, not aggregate, basis.

Chapter 90 Bond Issue Apportionments

Communities may spend Chapter 90 apportionments without appropriation. [Chapter 10, § 2 of the Acts of 2017](#). Spending from this apportionment could have a negative impact on free cash if expenditures are not reimbursed by June 30, 2018 unless:

- Borrowing occurs by June 30, 2018 in anticipation of receiving the reimbursement;
- Reimbursement received by September 30, 2018 can be documented;
- A documented request for reimbursement was filed with MassDOT by September 30, 2018 and the Bureau is satisfied that payment will be made.

Division of Local Services Website

All Informational Guideline Releases (IGRs), Bulletins, Local Finance Opinions (LFOs) and other publications issued by DLS can only be found on our website at www.mass.gov/dls. You may now search for current IGRs, Bulletins and LFOs in the [DLSLAW Library](#).

DLS Mailing List Subscription

To subscribe to automatic notification of IGRs, Bulletins, LFOs, *City & Town* e-newsletter, Cherry Sheets and other DLS publications and information, please click [here](#).

If you have any questions with regard to any item addressed in this letter, please do not hesitate to contact your BOA field representative.